

Message Text

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C O N F I D E N T I A L STATE 149434

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: ECONOMIC SUMMIT PREPARATIONS: ENERGY

1. PLEASE PASS THE FOLLOWING MESSAGE FROM DEPUTY ASSIST-
ANT SECRETARY STEPHEN BOSWORTH TO DR. ULRICH ENGELMANN,
MINISTRY OF ECONOMICS:

DEAR ULRICH:

2. AS I PROMISED DURING OUR TELEPHONE CONVERSATION, I AM
SENDING SOME SUGGESTIONS THAT YOU AND OTHER MEMBERS OF
THE GROUP MAY WISH TO CONSIDER PRIOR TO AND DURING OUR
NEXT MEETING ON JUNE 21. FOR THE MOST PART, I BELIEVE
THESE ADDITIONAL POINTS COULD BE HANDLED BY REVISION OF
CHAPTER SIX RATHER THAN SEEKING TO REVISE THE EARLIER
CHAPTERS. IF I UNDERSTAND YOUR INTENTIONS CORRECTLY,
CHAPTER SIX WOULD PROVIDE THE BASIC MATERIAL FOR THE
ENERGY SECTION OF THE DRAFT COMMUNIQUE.

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3. OUR SUGGESTIONS COVER THREE MAJOR SUBJECTS:
(1) WE SHOULD SEEK A POLITICAL STATEMENT BY THE CHIEFS
OF GOVERNMENT ON THE IMPORTANCE OF JOINT EFFORTS TO
ACCELERATE THE DEVELOPMENT OF NEW ENERGY SOURCES. THIS
WOULD INCLUDE THE FOLLOWING:

(A) POOLING OF TECHNOLOGIES AND FUNDING TO DEVELOP THOSE ALTERNATIVE ENERGY TECHNOLOGIES WHICH CAN BE MOVED INTO A DEMONSTRATION PHASE OVER THE NEXT FEW YEARS (SUCH AS COAL GAS AND COAL LIQUIDS). THERE IS CURRENTLY ONLY A GENERAL REFERENCE IN THE PAPER TO THIS ISSUE. I THINK WE SHOULD TRY TO BE MORE SPECIFIC IN TERMS OF WHAT COULD BE AGREED AT THE SUMMIT, PARTICULARLY IN PARAGRAPH 6.4. ALL NATIONS, WHETHER OR NOT THEY POSSESS THE COAL OR OTHER BASIC RESOURCES, COULD DERIVE SIGNIFICANT ECONOMIC AND TECHNOLOGICAL BENEFIT FROM THESE JOINT PROJECTS. FOR ITS PART, THE US IS PREPARED TO ENVISION A STATEMENT IN THE SUMMIT COMMUNIQUE AFFIRMING OUR INTEREST IN SUCH JOINT DEMONSTRATION PROJECTS. SUCH A STATEMENT, IF MATCHED BY SIMILAR EXPRESSIONS FROM OTHER SUMMIT PARTICIPANTS, COULD HAVE SIGNIFICANT IMPACT AS EVIDENCE OF INDUSTRIALIZED COUNTRY DETERMINATION TO EXTEND THEIR COOPERATION TO ACTUAL ENERGY PROJECTS.

(B) THE STATEMENT SHOULD ALSO COVER JOINT R&D PROJECTS AND EMPHASIZE THE IMPORTANT CONTRIBUTION THEY CAN MAKE TO THE ACCELERATED DEVELOPMENT OF NEW ENERGY SOURCES. IT IS POSSIBLE THAT TWO OR MORE SUMMIT COUNTRIES WOULD BE IN A POSITION BY THE TIME OF THE SUMMIT TO ANNOUNCE A JOINT UNDERTAKING IN ONE OR MORE SPECIFIC AREAS OF R&D.

(2) COAL: THOUGH THE PAPER HIGHLIGHTS THE IMPORTANCE
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OF EXPANDED UTILIZATION OF COAL, IT DOES NOT PROPOSE ANY NEW ACTION BY THE HEADS OF GOVERNMENT WHICH MIGHT CONTRIBUTE TO GREATER COAL USE, EITHER IN THOSE COUNTRIES WHICH HAVE COAL RESERVES OR THROUGH EXPANDED INTERNATIONAL TRADE. WE WOULD TRY TO GIVE SOME POLITICAL PUSH TO COAL. SPECIFICALLY, WE COULD:

- INTRODUCE LANGUAGE INTO CHAPTER SIX (AND IN THE COMMUNIQUE) HIGHLIGHTING THE IMPORTANCE OF SUPPLY AND MARKET COMMITMENTS TO THE EXPANSION OF COAL PRODUCTION AND CONSUMPTION, TRANSPORTATION INFRASTRUCTURE, ETC.
- STRESS THE WILLINGNESS OF COAL PRODUCING COUNTRIES TO RECEIVE FOREIGN INVESTMENT IN THE EXPANSION OF COAL PRODUCTION, INCLUDING TRANSPORTATION INFRASTRUCTURE.
- PROPOSE THE ELABORATION OF A FRAMEWORK OF INTER-GOVERNMENTAL ASSURANCES ON THE SECURITY OF SUPPLY AND MARKET ACCESS FOR COAL TRADED INTERNATIONALLY UNDER LONG-TERM PRIVATE CONTRACTS.

AS YOU KNOW, WORK IS NOW UNDERWAY ON THESE AND OTHER ASPECTS OF THE COAL ISSUE IN THE IEA. BUT THE SUMMIT SHOULD GIVE THIS WORK NEEDED MOMENTUM.

(3) LDCS: WE HOPE THAT THE US PROPOSAL FOR A PROGRAM OF COORDINATED BILATERAL AID EFFORTS AIMED AT ACCELERATED DEVELOPMENT OF RENEWABLE ENERGY SOURCES IN LDCS COULD NOW BE MADE MORE CONCRETE AND MORE SPECIFIC. IF OTHER SUMMIT COUNTRIES COULD COMMIT TO SPECIFIC AMOUNTS OF INCREMENTAL FUNDING IN THEIR FOREIGN ASSISTANCE BUDGETS, THE PROPOSAL WOULD BE SIGNIFICANTLY STRENGTHENED. FOR EXAMPLE, THE SUMMIT COUNTRIES COULD ANNOUNCE THEIR DETERMINATION, WORKING WITH OTHER INDUSTRIALIZED COUNTRIES AND PERHAPS THE OIL EXPORTING DEVELOPING COUNTRIES, TO PROVIDE A SPECIFIC LEVEL (E.G., 500 MILLION DOLLARS) IN ADDITIONAL BILATERAL AID FUNDS FOR THE DEVELOPMENT OF RENEWABLE ENERGY SOURCES IN LDCS OVER THE NEXT FIVE YEARS.

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WE MIGHT ALSO CLARIFY SOMEWHAT THE SECTION IN PARAGRAPH 6.6 ON THE WORLD BANK. FIRST, THE COMMUNIQUE SHOULD ENDORSE THE ACTION TAKEN BY THE BANK IN RESPONSE TO THE PROPOSALS OF THE LONDON SUMMIT AND THE RECOMMENDATIONS OF CIEC, IN EXPANDING GREATLY ITS ACTIVITIES IN THE ENERGY FIELD. WE SHOULD STRESS THAT THE BANK'S EFFORTS ARE DESIGNED TO STIMULATE THE FLOW OF PRIVATE CAPITAL AND TECHNOLOGY INTO LDC ENERGY DEVELOPMENT AND URGE THAT THE BANK EXAMINE WAYS IN WHICH ITS ACTIVITIES CAN BE MADE EVEN MORE EFFECTIVE AND RESPONSIVE TO THE ENERGY PROBLEMS OF LDCS. AND SECOND, AS IS NOW STATED IN PARAGRAPH 6.6, WE WOULD ASK THE BANK TO MAKE PROPOSALS FOR IMPROVED COORDINATION OF BILATERAL AND MULTILATERAL ACTIVITIES AIMED AT PROVIDING ASSISTANCE TO LDCS IN THE ENERGY FIELD.

4. IN ADDITION, WE BELIEVE THE PROPOSED REQUEST BY THE CHIEFS OF GOVERNMENT FOR A PROGRESS REPORT AT THEIR NEXT MEETING IS AN EXCELLENT SUGGESTION. BUT WE WOULD ALSO LIKE TO BE MORE CONCRETE AS TO HOW THE DECISIONS AND PROPOSALS ARE GOING TO BE CARRIED OUT. FOR EXAMPLE, THE CHIEFS OF GOVERNMENT COULD STATE THAT THEIR GOVERNMENTS WILL ACT ON THESE DECISIONS AT THE NATIONAL LEVEL AND THROUGH THE APPROPRIATE MULTILATERAL ORGANIZATIONS SUCH AS THE IEA/OECD AND EC. WE BELIEVE THE LAST POINT IS IMPORTANT SINCE IT ENSURES THAT THE NON-SUMMIT IEA COUNTRIES ARE INVOLVED.

5. FINALLY, I WOULD LIKE TO SAY ONCE MORE THAT I THINK YOU HAVE DONE AN EXCELLENT JOB IN SYNTHESIZING ALL OF OUR THOUGHTS AND PREPARING THE WORKING PAPER. YOUR EFFORTS ARE MUCH APPRECIATED. CHRISTOPHER

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